



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Paul Krutko

**SUBJECT: HP PAVILION AT SAN JOSE
CAPITAL BUDGET
RECOMMENDATIONS**

DATE: May 30, 2006

Approved /s/ Date 05/30/06

RECOMMENDATION

It is recommended that the City Council approve the attached HP Pavilion Capital Repairs and Replacement Budgets for both 2005-2006 and 2006-2007 as submitted by the San José Arena Authority Board of Directors.

BACKGROUND

In accordance with the agreement between the City of San Jose and the San José Arena Management (Silicon Valley Sports and Entertainment), the Capital Repairs and Replacement budgets for both 2005-2006 and 2006-2007 are presented to the City Council for approval. These budgets are supported by the existing Arena Capital Reserve Fund that was established for this purpose. Over the last several years, both the City and Silicon Valley Sports and Entertainment (SVSE) have made contributions to the Arena Capital Reserve Fund per the agreement.

ANALYSIS

The San José Arena Authority Board of Directors reviewed and recommends that City Council approve annual capital budgets for both 2005-2006 and 2006-2007. As a result of a payment dispute with SVSE, the budget for 2005-2006 had not been presented as part of the 2005-2006 budget process. The major dispute has since been resolved and the budget for 2005-2006 is now being presented with the 2006-2007 annual capital budget. Lists of the individual capital improvements planned for both years are attached for your reference. For 2005-2006, a budget of \$463,500 for normal capital repairs and replacements is proposed. For 2006-2007, the normal capital repairs and replacements budget totals \$939,000, with an additional \$150,000 proposed for capital enhancements associated with the Sports Hall of Fame plaque lighting and locker stalls for the visiting team.

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The Arena Capital Reserve Fund has sufficient funding to support the capital repairs and replacements proposed for both 2005-2006 and 2006-2007. After these costs are taken into consideration, the remaining balance in this fund at the end of 2006-2007 is projected at \$0.6 million. SVSE has also developed a preliminary five-year plan for normal capital repairs and replacements at the HP Pavilion. With the projected contributions from both the City and SVSE over this period, the Arena Reserve Fund will fully fund these improvements and will have remaining funds to address future capital repairs and replacements necessary at the HP Pavilion.

COORDINATION

Staff from the San José Arena Authority, SVSE, and the City have coordinated to present this budget as part of the City's annual budget process.

/s/

Paul Krutko

Director of Economic Development

Attachments

HP PAVILION AT SAN JOSE
Capital Budget Recommendations for 2005-2006

	2005-2006 Budgeted Amount
Normal Capital Repair/Replacement	
Replace Carpet on Club Concourse	205,000
Replace Concrete at North and South Entrances	20,000
Replace Roll-up Dock Door #1	4,500
Replace Folding Chairs	38,000
Repair Curtain Wall Glass at North and South Entrances	9,000
Repair Pulleys on Scoreboard	11,000
Replace 6 Ice Machines	20,000
Replace Dryer in Laundry Room	8,000
Replace Lighting Relay Panel on Club Concourse	10,000
Replace Forklift #1	23,000
Repair Main Compressor Bearings in Chiller 1 and 4	11,500
Repair Main Compressor Bearings Brine Chiller 1 and 2	15,000
Repair Firebox in Boiler #1	8,000
Replace Drinking Fountains on Main Concourse	2,500
Replace Variable Frequency Drives on Air Handlers and Pumps	20,000
Replace Transformer in Back Stage Area	14,000
Replace Plexiglass on Dasherboards	24,000
Unanticipated Repairs and Replacements	20,000
Total Normal Capital Repairs and Replacements	463,500

HP PAVILION AT SAN JOSE
Capital Budget Recommendations for 2006-2007

	206-2007 Budgeted Amount
Normal Capital Repair/Replacement	
Replace 30 second Shot Clocks and Controller on Basketball Goals	30,000
Replace Blackout Curtains in Arena Level Openings	18,000
Replace Carpet on Penthouse Concourse and Lower Level Management Offices	262,000
Replace Concrete in Loading Dock and South Entrance	35,000
Replace Base (Ice Dam) at Bottom of Dasherboards	16,000
Replace 2 Roll Up Doors	15,000
Replace Main Fire Control Panel	12,000
Replace Folding Chairs	38,000
Replace Sheaves on Main Cables to Scoreboard	12,000
Replace Ice Edger	3,000
Replace 7 Ice Machines	25,000
Replace T-12 Type Flourescent Lights with New T-8 Type	55,000
Replace Photographer's Strobe Lights	27,000
Replace Motorized Cart	12,000
Replace Forklift #2	33,000
Replace Main Rotor Bearings and Slide Valve on Brine Chiller #1	48,000
Replace Variable Frequency Drives on Air Handlers and Pumps	28,000
Replace Domestic Water Pump and Expansion Tank Bladders	13,000
Replace Connectors and Cooling Fans on Main Transformer	30,000
Replace Hockey Netting around Dasherboards	11,000
Repaint Club Concourse	40,000
Replace Flush Valves in Restrooms	15,000
Replace 5 Security Cameras and Add 2 Cameras	35,000
Replace Entry ID System	21,000
Replace Trash Compactor	40,000
Replace Trees, Shrubs and Irrigations Along West Border of Parking Lot	45,000
Unanticipated Repairs	20,000
Total Normal Capital Repairs and Replacements	939,000
Capital Enhancements	
Realign and Install Additional Hall of Fame Plaque Lighting	95,000
Install Removable Locker Stalls in Visiting Team Dressing Rooms	55,000
Total Capital Enhancements	150,000
 Total 2006-2007 Proposed Capital Budget	 1,089,000